

Message Text

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ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03

NSAE-00 NSC-07 PA-04 RSC-01 PRS-01 SP-03 SS-20

USIA-15 AGR-20 EB-11 COME-00 DRC-01 /128 W

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R 062016Z AUG 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 7752

INFO AMEMBASSY MANAGUA

AMEMBASSY BOGOTA

AMEMBASSY QUITO

AMEMBASSY PANAMA

AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY BRASILIA

AMEMBASSY CARACAS

AMCONSUL GUAYAQUIL

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 3287

E.O. 11652: GDS

TAGS: ETRD, HO

SUBJECT: UNITED FRUIT/GOH RELATIONS DETERIORATE

1. FONMIN CESAR BATRES INVITED ME TO MINISTRY AUGUST 6
AND SET FORTH WHAT HE TERMED A WORRISOME SITUATION WHICH
RESULTED FROM A MEETING ON AUGUST 1 INVOLVING HARVEY
JOHNSON, VICE PRESIDENT OF UNITED BRANDS, AND FINMIN
MANUEL ACOSTA BONILLA AND ECONMIN ABRAHAM BENNATON RAMOS.
HE SAID THAT MR. JOHNSON'S "POSTURE OF INTRANSIGENCE"
LEFT GOH NON-PLUSED AND THAT THIS, PLUS PASSING REFERENCES
SUCH AS "GOVERNMENTS CAN BE TOPPLED, AND MINISTER'S
HEADS CAN BE MADE TO ROLL" LEFT AN ATMOSPHERE BITTER
ENOUGH TO BE SUBSEQUENTLY DISCUSSED AT THE COUNCIL
OF MINISTERS WITH GENERAL LOPEZ. AT THE END OF
THE COUNCIL SESSION GENERAL LOPEZ DECIDED THAT
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BATRES SHOULD CONVEY TO ME THE CONCERNS EXPRESSED

AT THE COUNCIL MEETING.

2. FONMIN BATRES CONVEYED TO ME THE CONSENSUS OF THE IMPRESSION OF THE COUNCIL OF MINISTERS THAT UNITED WAS TRYING TO TAKE ADVANTAGE OF THE CHANGING DEVELOPMENTS IN COSTA RICA PLUS THE AGGRAVATING SITUATION IN PANAMA. ALTHOUGH BATRES DID NOT ATTEND THE MEETING WITH HARVEY JOHNSON HE INDICATED THAT ACOSTA BONILLA HAD QUOTED MR. JOHNSON AS SAYING AT THE END OF THE MEETING THAT MR. JOHNSON NOW HAD NO ALTERNATIVE BUT TO REPORT TO MR. BLACK (E.M. BLACK, CHAIRMAN, UNITED BRANDS COMPANY) THAT HE HAD REACHED A BRICK WALL. BATRES INDICATED TO ME THAT BOTH THE GENERAL AND HE WERE AMAZED IN THIS CHANGE IN POSITION OF UNITED BRANDS.

3. IN ANSWER TO MY QUERY AS TO VALIDITY OF THE "BRICK WALL" CHARACTERIZATION, BATRES INDICATED THAT PAST MEETINGS HAD RESULTED IN VARIOUS APPROACHES, AND HAD DEFINITELY NOT ALL BEEN UNPRODUCTIVE. HE SPECIFICALLY ALLUDED TO INFORMAL DISCUSSIONS OF POSSIBILITY OF GOH ENTERING INTO SOME SORT OF A PARTNERSHIP ARRANGEMENT WITH UNITED, ADDING THAT GENERAL LOPEZ HAD SEEMED WILLING TO CONSIDER THIS IDEA BUT THAT UNITED HAD SUBSEQUENTLY TURNED IT DOWN WHEN IT APPEARED THAT COSTA RICA MIGHT BE LOWERING THE TAX RATE.

4. BATRES ENDED HIS COMMENTS BY REITERATING THE GENERAL'S CONCERN THAT I SHOULD BE INFORMED ABOUT THE LATEST DEVELOPMENTS. IN ANSWER TO MY QUESTION HE SAID THAT HE DID NOT KNOW WHERE THE INITIATIVE WOULD COME FROM FOR THE CONTINUATION OF DIALOG BUT HE DID NOT RULE OUT THE POSSIBILITY THAT GOH MIGHT YET HAVE SOMETHING ALTERNATIVE TO OFFER.

5. IN A SEPARATE INTERVIEW, A LONG-TIME EMPLOYEE OF UNITED FRUIT TOLD POLOFF THAT LACOMBE HAD CALLED IN ALL DEPARTMENT HEADS ON AUGUST 2 TO DISCUSS THE FUTURE. HE SAID LA COMBE TOLD THEM THAT HE AND HARVEY JOHNSON HAD LAST WEEK TALKED TO GENERAL

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LOPEZ ABOUT THE BANANA EXPORT TAX, EXPLAINING THE PROBLEMS THIS TAX WAS CAUSING THE COMPANY IN VIEW OF COMPETITION FROM ECUADOR. LACOMBE STATED THAT LOPEZ SAID HONDURAS WOULD FOLLOW WHATEVER LEAD IS DECIDED UPON BY PANAMA. LA COMBE TOLD HIS MANAGERS AND SUPERINTENDENTS THAT THE COMPANY IS DISPOSED TO LEAVE PANAMA; AND IF THE SITUATION IN COSTA RICA WORSENS, THEN TO LEAVE COSTA RICA. FINALLY THEY

WILL LEAVE HONDURAS; DIVEST THEMSELVES OF ALL
PRODUCTION OPERATIONS AND BUY BANANAS IN ECUADOR.
LACOMBE ASKED HIS MEN TO KEEP THIS TO THEMSELVES,
AND TO BE CAREFUL WITH ANY PRESS INQUIRIES, MEETING
SUCH INQUIRIES WITH GENERALIZATIONS.

6. COMMENT: IT IS LIKELY THAT JOHNSON AND LACOMBE
INTERVIEWED GENERAL LOPEZ AND ACOSTA AND BENNATON
ON SAME DAY, ALTHOUGH WE ARE NOT SURE WHETHER
SEPARATELY OR TOGETHER. THE SHARPENING SITUATION,
PARTICULARLY WITH UNITED BRANDS, IS REFLECTED
ON A SWIRL OF LOCAL PRESS STORIES, WHICH WE
ARE REPORTING IN SEPTTEL.
SANCHEZ

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